



**McLarens Young
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GLOBAL CLAIMS SERVICES

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October 27, 2009

Mr. John Siffert
Mr. Scott Ray
Aker Kvaerner/IHI
Cameron LNG Receiving Terminal
Cameron Parish, Louisiana

Re: Insured: Sempra Energy and other Named Insureds

Policy Nos.: National Union Fire Ins. Co. of Louisiana- ST-260-9712
AEGIS Ins. Services, Ltd - L0022B1A05
Allianz Global Risks US Ins. Co. - ATO 3006580
Commonwealth Ins. Co. - NME1128
Navigators Special Risk, Inc. - 05-NSRO-1045-01
Arch Specialty Ins. Co. - CAR0009987-00

Policy Period: 9/15/2005 - 12/16/2008
Loss: Hurricane Ike- CAT#60
Loss Location: Hackberry, LA
Date of Loss: 09/13/2008
MYI File No. 07.003119.MI

Gentlemen:

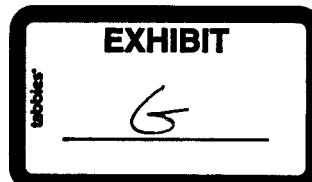
In follow-up to our meeting at the offices of Aker Solutions on October 13, 2009, attended by John Siffert, Scott Ray, Nrupa Shah and myself, we have been requested by Insurers to advise you in writing of their present position with regard to the following matters arising out of the Hurricane Ike insurance claim.

Unallocated Advance Payment

At the meeting, we discussed the \$6,000,000.00 unallocated advance payment by Insurers and the delivery of the Proof of Loss for the payment. We delivered a copy of the Proof of Loss to AKIHI and Sempra on Tuesday, October 20, 2009. Once we receive the signed copies from all parties, we would expect Insurers to issue separate payments based upon their respective percentage of the risk. Since AKIHI is now assigned Loss Payee, please provide payment details, including the address and to whose attention the checks should be mailed and/or detailed wire transfer instructions.

Dredging Analysis by Insurers' Hydrology Consultant

We also discussed the ongoing analysis of the portion of the claim related to dredging which is currently under review by Christopher Burke Engineering, Ltd. We are pushing for this review to be completed within the next month, and will update you on this aspect of the claim when this review is complete.



With regard to this claim, please be advised that the Policy provides the following definition of Occurrence:

1. Occurrence

Wherever the word occurrence appears in this Policy it shall mean any occurrence or series of occurrences consequent upon or attributable to one (1) source or original cause.

It is agreed that all Damage to the Insured Property occurring during any one (1) period of seventy-two (72) consecutive hours during the Period of Insurance directly caused by named windstorm, tempest, flood, or earth movement shall be deemed to have been caused by a single occurrence and therefore constitute one (1) loss for the purposes of this Policy.

The Insured shall select the time from which any such period shall commence but no two (2) such selected periods shall overlap. Whichever period of seventy-two (72) consecutive hours is used for the purposes of this clause shall also be used for the purposes of any Deductible provisions applicable to this Section of the Policy.

The 72 hour clause, as noted above, applies to Damage to Insured Property caused by named windstorm occurring during any one period of 72 consecutive hours, and should be considered in connection with the dredging claim that allegedly resulted in whole or in part from silting that occurred over a period of months. It does not appear from the present dredging claim submission that this clause has been taken into account. In any event, the adjustment will be conducted in accordance with the provisions of this clause.

Insurers have also requested that I bring to your attention the parts of the claim submission related to dredging that include extensions of the dredge disposal pipeline lease and attorneys' fees related to these extensions. These lease extensions and resulting attorneys' fees, BCS Ref. Nos. 3A, 3B, and 3C, appear to be consequential losses not covered by the Policy. After we receive Mr. Burke's analysis, we will update you regarding Insurers' position on these items and the remaining portion of the claim submission related to dredging.

Portions of Claim Not Covered by the Policy

At the meeting, we provided you with a flash drive containing the Preliminary Schedules compiled by Insurers' accounting consultants, Buchanan Clarke Schlader, LLP (BCS), and we discussed how the spreadsheet worked and how to navigate through the links to supporting documentation.

We also discussed Insurers' current position specifically related to the category within the spreadsheet, "Appears to be Consequential Loss/Delay." With respect to those specific items, we wish to make the following clarifications:

1. All claim submissions related to dredging have been provided to Insurers' hydrology consultant for review. BCS Ref. Nos. 3A, 3B, and 3C, totaling \$33,943.50, will be addressed upon conclusion of the dredging analysis as discussed above.

2. BCS Ref. No. 27A, totaling \$15,760.00, is for equipment rental extension from Andrews and Foster Drilling Company. The extension is a consequential loss which is not covered by the Policy. However, the expense associated with rental of this equipment for the period of time that AKIHI actually used the pumps during the clean-up operations, as explained in your letter AKIHI-TP-0078 dated August 28, 2009, is a covered expense. Therefore, please provide documentation for this expense for the period of time directly related to clean-up of the physical damage caused by Hurricane Ike.

3. BCS Ref. Nos. 36A and 36C, totaling \$16,449.03, are not covered for the same reason. The claimed expenses constitute consequential losses and are not covered by the Policy. However, the expense associated with rental of this equipment for the period of time that AKIHI actually used the pumps during the clean-up operations, as explained in your letter AKIHI-TP-0078 dated August 28, 2009, is a covered expense. Therefore, please provide documentation for this expense for the period of time directly related to clean-up of the physical damage caused by Hurricane Ike.

4. BCS Ref. Nos. 59I and 59Q were omitted from your Response to Request No. 28 on page 14 of your letter AKIHI-TP-0085 dated September 15, 2009. This appears to simply be a clerical error. Please confirm that the explanation of these two line items is the same as 59A-59H, etc.

As Insurers have previously advised, the Policy does not provide coverage for delay in completion or delay in start-up, soft costs, or any other time element coverage, but instead is limited to direct physical damage only, except for the 14 specific extensions set forth in the Policy. The Policy provides: "This insurance will pay for the cost of replacing or repairing or making good the Insured Property or any part thereof while at the Project Site physically lost, physically destroyed or physically Damaged in any direct manner and by any cause whatsoever not herein excluded." The Policy defines damage as: "Damage shall mean physical damage, physical loss or physical destruction." In addition, the Policy expressly excludes from coverage "Any loss of use or any other consequential loss."

After review of the claim submissions made to date, it is Insurers' current position that the following portions of the claim as submitted, and as indicated in the subsequent additional explanations provided by AKIHI, are items of consequential loss and are therefore not covered by the Policy:

BCS Ref. No.	Change Order	Amount
10A	258	\$51,618.41
27A	221	\$15,760.00
36A	261	\$ 3,926.00
36C	276	\$12,523.03
42E	221	\$118,331.97
42H	231	\$79,500.81
42K	235	\$1,324,960.54
42N	252	\$1,439,189.33
42Q	265	\$1,457,539.46
42T	271	\$358,531.24
42Y	274	\$1,477,906.57
43A	287	\$336,426.45
48A	270	\$890,556.39

49A	257	\$1,049,569.74
53A	221	\$1,129,020.47
53B	231	\$1,402,858.26
53C	237	\$945,978.36
53D	251	\$1,114,592.94
53E	266	\$818,596.32
53F	272	\$308,628.14
53G	275	\$46,521.00
53H	289	\$3,294.49
55A	284	\$1,881,500.15
57A	283	\$1,757,510.41
59A	285	\$192.87
59B	285	\$32,203.58
59C	285	\$26,444.63
59D	285	\$2,269.00
59E	285	\$87,700.95
59F	285	\$51,815.16
59G	285	\$771.46
59H	285	\$75,890.71
59I	285	\$63,314.25
59J	285	\$1,074.03
59K	285	\$68,269.58
59L	285	\$52,522.33
59M	285	\$1,139.25
59N	285	\$76,237.45
59O	285	\$44,918.36
59P	285	\$661.50
59Q	285	\$20,579.22
59R	285	\$10,060.59
59S	285	\$298.25
59T	285	\$15,420.81
59U	285	\$13,488.80
59V	285	\$19,720.08
59W	285	\$25,279.74
59X	285	\$3,658.84
Total items		\$18,718,771.92
12% markup		\$2,246,252.60
Total		\$20,965,024.52

As mentioned above, this list does not include BCS Ref. Nos. 3A, 3B, and 3C or any other expenses related to dredging which are addressed above.

The Insurers have further requested that we advise that if you have any further information or documentation that you wish for them to consider in connection with the positions set forth herein, please provide such information to us and it will be forwarded to them for prompt consideration and response.

Finally, we acknowledge receipt of a complete and unredacted copy of the settlement agreement between Sempra Energy, CLNG and AKIHI. As requested, we and the Insurers will treat the agreement as confidential and act accordingly.

Neither this correspondence nor the ongoing investigation and adjustment of the claim presented waives any rights of the Insurers under the Policies, at law, in equity, or otherwise, all such rights continuing to be expressly reserved.

Sincerely,



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cc: Interested Insurers
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Mr. Mike Moreno, Sempra Energy
Mr. Doug Shockley, Willis